

806 KAR 12:040. Insurance in credit transactions.

RELATES TO: KRS 304.14-040

STATUTORY AUTHORITY: KRS 304.2-110

NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.2-110 provides that the Executive Director of Insurance shall make reasonable rules and regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code. This administrative regulation provides the respective rights and obligations of the vendor and vendee where insurance is procured on property sold in a credit transaction.

Section 1. In a finance or loan transaction wherein the vendee refuses or for any reason fails to provide reasonable insurance protection against loss from physical damage, an insurer may, at the request of the dealer, finance factor, or lender, provide such insurance protection.

Section 2. Where the dealer, finance factor, or lender requests and secures such protection, no part of the cost thereof shall be charged to the vendee unless losses payable thereunder shall be for the benefit of the vendee as well as the dealer, finance factor, or lender. In the event a loss is payable under such policy where any part of the cost of such protection is charged to the vendee, it shall be applied toward restoration of the damaged subject of the transaction or toward reduction of the balance of the debt, if any remains, arising out of the transaction.

Section 3. When insuring motor vehicle or aircraft, the title page of a policy providing single interest protection for the sole benefit of the dealer, finance factor, or lender must have clearly stamped or printed in not less than fourteen (14) point type the words: "This policy does not provide protection:

- (1) To the buyer of the property insured hereunder;
- (2) Against legal liability to persons or property of third parties." (I-12.05; 1 Ky.R. 1079; eff. 7-2-75; TAm eff. 8-9-2007; Crt eff. 2-26-2020.)